

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EB-08 COME-00 DOTE-00 FMC-01  
OES-06 SAL-01 DLOS-06 FEA-01 ITC-01 TRSE-00 OMB-01  
STR-04 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00  
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 /094 W  
-----170854Z 076140 /11

R 161506Z MAR 77

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 3377

INFO AMEMBASSY ATHENS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

OECD PARIS 2245

COMNAVSEASYSCOM

DEPT OF COMMERCE

US DEPT OF TREASURY

US SECDEF WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 OSLO 1273

FOR ASSISTANT SECRETARIES KATZ AND HARTMAN FROM AMBASSADOR

COMNAVSEASYSCOM FOR UADM BRYAN

E.O. 11652: GDS

TAGS: EGEN, EWWT, PFOR, NO

SUBJECT: U.S. OIL CARGO PREFERENCE LEGISLATION--FOREIGN  
MINISTER'S DEMARCHE

REF: (A) OSLO 1040, (B) STATE 049149

1. FOREIGN MINISTER FRYDENLUND CALLED ME IN ON MARCH 15  
"FORMALLY" TO STRESS THE GREAT IMPORTANCE AND CONCERN NORWAY  
ATTACHED TO U.S. OIL CARGO PREFERENCE LEGISLATION BEING CONSID-  
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ERED BY CONGRESS (E.G., HR 1037 INTRODUCED BY CONGRESSMAN  
MURPHY) AND WHICH WOULD RESERVE 30 PERCENT OF U.S. OIL IMPORTS  
TO U.S. FLAG TANKERS IN 1980. AFTER REVIEWING BRIEFLY THE  
ARGUMENTS IN THE AIDE MEMOIRE NORWAY AND OTHERS PRESENTED TO  
ASSISTANT SECRETARY KATZ (STATE 049149) AND THOSE MADE TO  
MY E/C COUNSELOR AT ABOUT THE SAME TIME (OSLO 1040), FRYDENLUND  
SAID HE WISHED TO UNDERLINE THE FOLLOWING:

(A) THE TIMING OF THE U.S. LEGISLATION IS ESPECIALLY UNFORTUNATE IN VIEW OF THE WORLD ECONOMIC SLUMP, CONTINUED EXCESS IN WORLD TANKER CAPACITY, THE PARTICULARLY HEAVY IMPACT THIS SURPLUS HAD HAD ON NORWAY'S LARGE INDEPENDENT TANKER FLEET, AND THE PROSPECT THAT NORWEGIAN SHIPYARDS WOULD BEGIN TO RUN OUT OF ORDERS SHORTLY. THE PREFERENCES APPEAR, HE ADDED, INCONSISTENT WITH THE U.S. RECENTLY EXPRESSED INTEREST IN LESS RESTRICTED WORLD TRADE AND ITS EFFORTS TO STIMULATE THE WORLD ECONOMIES.

(B) FRYDENLUND MENTIONED THAT THE BRITISH MIGHT RAISE THE QUESTION OF OIL CARGO PREFERENCES AT THE ECONOMIC SUMMIT MEETING IN MAY. HOWEVER, HE FELT THAT IT WOULD BE DIFFICULT FOR BRITISH FULLY TO REPRESENT NORWAY'S SPECIAL INTERESTS IN THE PREFERENCE LEGISLATION AT THE SUMMIT MEETING.

(C) PASSAGE OF THE BILL COULD "UNDERCUT THE POSITIVE AMBIANCE" WHICH CHARACTERIZES NORWEGIAN/AMERICAN RELATIONS. SHIPPING IS FAR MORE IMPORTANT TO NORWAY THAN TO THE US. NORWAY IS A MARITIME NATION. SHIPPING IS A MAJOR PART OF THE FABRIC AND TRADITION OF THE COUNTRY, AND ANYTHING AFFECTING SHIPPING TOUCHED NORWAY AS A WHOLE. HISTORY HAD SHOWN THAT THE NORWEGIAN MERCHANT MARINE WAS AVAILABLE TO THE UNITED STATES AND ITS ALLIES WHEN IT WAS NEEDED, AND ITS SECURITY AND SAFETY IS SECOND TO NONE.

(D) DURING NORWAY'S CURRENT INTENSIVE ENGAGEMENT WITH THE USSR OVER NORTHERN ISSUES (SVALBARD, THE BARENTS SEA BOUNDARY, FISHING IN THE BARENTS SEA, ETC.), IT WOULD BE PARTICULARLY UNFORTUNATE TO HAVE THE UNITED STATES, PROBABLY NORWAY'S MOST IMPORTANT ALLY, DO SOMETHING THAT THE SOVIETS WOULD TEND TO READ BACK AS LACK OF U.S. SUPPORT ON A MATTER OF MAJOR IMPORTANCE TO NORWAY.

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2. I REVIEWED WITH FRYDENLUND THE TIMETABLE FOR THE MURPHY BILL SUPPLIED TO THE EMBASSY BY EB/ECA/MA ON MARCH 14 AND TOLD HIM THAT THE CARTER ADMINISTRATION WAS STILL DEVELOPING ITS POSITION ON THE BILL. AFTER DISCUSSING PROSPECTS FOR THE BILL, FRYDENLUND NOTED THAT NORWEGIAN SHIPOWNERS HAD A CONSIDERABLE NUMBER OF RECENTLY BUILT TANKERS LYING IDLE IN THE FJORDS DUE TO LARGE EXCESS WORLD CAPACITY. WHILE NORWAY STRONGLY OPPOSED TRADE DISCRIMINATION OF ANY KIND AGAINST ITS SHIPS AND WAS DEAD SET AGAINST THE MURPHY BILL, IF OIL CARGO PREFERENCE LEGISLATION WAS INEVITABLE, HE WONDERED WHETHER THERE MIGHT BE A POSSIBILITY THAT U.S. SHIPPING COMPANIES COULD BE ALLOWED TO PURCHASE MODERN EXCESS TANKER TONNAGE FROM NORWAY AND OTHER COUNTRIES TO MEET OBJECTIVES OF THE LEGISLATION. THIS WOULD HELP AVOID PROLONGATION OF THE WORLD SURPLUS OF TANKER TONNAGE AND ALLOW THE U.S. BUILD UP ITS TANKER FLEET MORE RAPIDLY. IT WOULD ALSO CREATE EARLIER EMPLOYMENT FOR AMERICAN SEAMEN, BUILD UP THE U.S. STRATEGIC RESERVE IN SHIPPING MORE QUICKLY, AND AVOID OVERSTRESSING AMERICAN SHIP YARD CAPACITY. I REPLIED

THAT I COULD NOT COMMENT ON PROSPECTS FOR SUCH A PROPOSAL BUT THAT I WOULD RELAY HIS THOUGHTS TO THE DEPARTMENT.

3. COMMENT: AFTER FOUR SUCCESSIVE U.S. PRESIDENTS HAD VETOED SIMILAR OIL CARGO PREFERENCE LEGISLATION IN SUPPORT OF FREE TRADE, NORWAY WAS PERHAPS INITIALLY SOMEWHAT COMPLACENT ABOUT THE CURRENT BILL. FRYDENLUND'S DEMARCHE MAKES IT CLEAR THAT THIS IS NO LONGER THE CASE AND THAT ENACTMENT OF THE LEGISLATION IN THE PRESENT WORLD ECONOMIC CLIMATE WILL HAVE AN ADVERSE IMPACT ON U.S./ NORWEGIAN RELATIONS AS WELL AS ON NORWAY'S ECONOMY AND FALTERING SHIPPING.

4. SHIPPING IS THE BASIS OF MODERN NORWEGIAN INDUSTRIAL DEVELOPMENT, AND AS RECENTLY AS 1974 GROSS FREIGHT EARNINGS FROM SHIPPING WERE EQUIVALENT TO 15 PERCENT OF GNP. NORWAY'S MARITIME TRADITION IS AS MUCH A PART OF THE NORWEGIAN SOCIETY AND ECONOMY AS FARMING IS IN AMERICA. SMALL AS NORWAY IS, ITS MERCHANT FLEET  
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IS THE FOURTH LARGEST IN THE WORLD. SINCE VIRTUALLY ALL THIS FLEET IS NORWEGIAN OWNED AND UNDER THE NORWEGIAN FLAG, NORWAY'S IMMEDIATE STAKE IN SHIPPING IS PROBABLY AS GREAT AS THAT OF ANY OTHER COUNTRY IN THE WORLD.

5. WAGES ON NORWEGIAN SHIPS ARE AMONG THE HIGHEST IN THE WORLD, ITS FLEET PROBABLY THE MOST MODERN AND EFFICIENT, AND ITS SAFETY RECORD ONE OF THE BEST. THE 50 PERCENT OF NORWAY'S MERCHANT FLEET IN TANKER TONNAGE HAS BEEN PARTICULARLY HARD HIT BY THE WORLD ECONOMIC SLOWDOWN. BETWEEN 30 PERCENT AND 45 PERCENT OF THIS TONNAGE HAS BEEN LAID UP FOR THE LAST TWO YEARS AND, EVEN WITHOUT BUILDING NEW SHIPS, THE SURPLUS IS EXPECTED TO LAST INTO THE 1980S. NORWAY'S INDEPENDENT TANKER OPERATORS HAVE BEEN PARTICULARLY HARD HIT AS FOREIGN OIL COMPANIES HAVE GIVEN PREFERENCE TO THEIR OWN SHIPS. WITH 15 PERCENT TO 20 PERCENT OF NORWAY'S TONNAGE CUSTOMARILY ENGAGED IN THE TRANSPORT OF OIL TO THE U.S., ANOTHER PREFERENCE WHICH WILL PUT NORWEGIAN VESSELS AFTER U.S. FLAG VESSELS AND OIL COMPNAY TANKERS WOULD DEAL A PARTICULARLY SEVERE BLOW TO NORWAY'S TANKER FLEET. IF NEW TONNAGE IS ALSO BUILT AND THE WORLD TANKER SURPLUS EXTENDED, MANY NORWEGIAN SHIPOWNERS QUESTION THEIR ABILITY TO SURVIVE.

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
EB-08 COME-00 DOTE-00 FMC-01 OES-06 SAL-01 DLOS-06  
FEA-01 ITC-01 TRSE-00 OMB-01 STR-04 /094 W  
-----170854Z 076260 /11

R 161506Z MAR 77  
FM AMEMBASSY OSLO  
TO SECSTATE WASHDC 3378  
INFO AMEMBASSY ATHENS  
AMEMBASSY COPENHAGEN  
AMEMBASSY LONDON  
AMEMBASSY STOCKHOLM  
AMEMBASSY TOKYO  
OECD PARIS 2246  
COMNAVSEASYSCOM  
DEPT OF COMMERCE  
US DEPT OF TREASURY  
US SECDEF WASHDC

C O N F I D E N T I A L SECTION 2 OF 2 OSLO 1273

6. NORWAY'S SHIPBUILDING INDUSTRY ALREADY SICK, COULD BE FURTHER HURT BY THE BILL. SHIPBUILDING IS THE BIGGEST INDUSTRIAL EMPLOYER IN NORWAY, EMPLOYING 34,000 IN SHIPYARDS AND ANOTHER 15,000 OR SO IN SUPPLIER COMPANIES. THIS IS EQUIVALENT TO NEARLY 13 PERCENT OF THE INDUSTRIAL LABOR FORCE. WITH ANOTHER 25,000 NORWEGIANS EMPLOYED ON NORWEGIAN VESSELS AND ANOTHER 8,000 WORKING FOR SHIPPING COMPANIES, THE PERCENTAGE IS EVEN HIGHER. NORWEGIAN SHIP YARDS ARE ENTERING ON HARD TIMES BECAUSE OF THE SHIPPING SLUMP AND ARE EXPECTED TO START LAYING OFF WORKERS THIS SUMMER AND FALL. PASSAGE AROUND THE SAME TIME OF AN OIL CARGO PREFERENCE BILL THAT WOULD PROLONG AND INTENSIFY THESE DIFFICULTIES WILL CREATE UNTIMELY CONSTERNATION IN THE GOVERNMENT, LABOR, AND PRIVATE SECTORS IN NORWAY.

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7. I FIND PARTICULARLY DISQUIETING FRYDENLUND'S CAREFULLY UNDERSTATED SUGGESTION THAT PASSAGE OF THE OIL CARGO PREFERENCE BILL COULD UNDERMINE NORWAY'S FRIENDLY PERCEPTION OF THE UNITED STATES AND CLOSE U.S./NORWEGIAN RELATIONSHIPS. I DO NOT WISH TO OVERSTATE THIS POINT, BUT BELIEVE THAT IT IS SIGNIFICANT HE RAISED IT. HE IS A CLOSE FRIEND OF THE UNITED STATES AND A DEDICATED BELIEVER IN THE ATLANTIC RELATIONSHIP. HE WAS

OBVIOUSLY DISTRESSED AT THE PROSPECT OF AN ACTION WHICH COULD DISTURB EXISTING TIES BETWEEN OUR TWO COUNTRIES.

8. THE CARGO PREFERENCE ISSUE THUS ASSUMES SPECIAL SENSITIVITY IN NORWAY DURING THE CURRENT ELECTION YEAR. THE LABOR GOVERNMENT IS RUNNING NECK AND NECK WITH THE NON-SOCIALIST OPPOSITION. WITH SERIOUS PROBLEMS IN THEIR SHIPPING INDUSTRY AND WITH SHIP-YARDS EXPECTED TO START RUNNING OUT OF ORDERS AND LAYING OFF WORKERS THIS SUMMER, THE GOVERNMENT'S MANAGEMENT OF THE SITUATION AND THE ECONOMY DURING THE CURRENT SLOWDOWN WILL BE A MAJOR ELECTION ISSUE. REGARDLESS WHICH SIDE WINS, OUR BEST FRIENDS ON BOTH SIDES, I.E., THE LABOR AND CONSERVATIVE PARTIES, WILL SUFFER FROM A CARGO PREFERENCE ARRANGEMENT. THE ENACTMENT IN THESE CIRCUMSTANCES OF AN OIL CARGO PREFERENCE WHICH WILL HAVE A SEVERE IMPACT ON THE NORWEGIAN ECONOMY WILL ALSO AFFECT PUBLIC OPINION. BUT IT COULD ALSO INJECT THE ISSUE OF THE U.S. AS WELL AS OF U.S./NORWEGIAN RELATIONS INTO THE ELECTION CAMPAIGN.

9. IN THE NORTH, I SHARE FRYDENLUND'S VIEW OF THE UNFORTUNATE TIMING OF THE PREFERENCE LEGISLATION WHILE GON IS ENGAGED IN IMPORTANT STRATEGIC NEGOTIATIONS WITH THE USSR. NORWEGIAN DISAFFECTION WITH THE UNITED STATES OVER THE LEGISLATION MAY NOT HAVE A SIGNIFICANT EFFECT ON THE OUTCOME OF NORWEGIAN/SOVIET JOCKEYING OVER SVALBARD, THEIR BARENTS SEA BOUNDARY, AND FISHING. HOWEVER, QUESTIONS OF STRATEGIC IMPORTANCE, SUCH AS SOVIET ACCESS TO THE ATLANTIC, ARE INVOLVED, AND ANY NORWEGIAN FRICTION WITH THE UNITED STATES CAN ONLY BENEFIT SOVIET INTERESTS.

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10. I RECOGNIZE THAT THE ADMINISTRATION MUST TAKE INTO ACCOUNT DOMESTIC ECONOMIC AND OTHER FACTORS IN ARRIVING AT ITS POSITION ON OIL CARGO PREFERENCE. AND, I DO NOT SUGGEST THAT OUR NATIONAL INTEREST REQUIRES US TO BAIL OUT NORWEGIAN INDUSTRY AT THE EXPENSE OF OUR OWN. BUT I BELIEVE IT IS IMPORTANT FOR OUR GOVERNMENT TO RECOGNIZE THE EXCEPTIONAL IMPORTANCE OF SHIPPING TO THE NORWEGIAN ECONOMY AND, NO LESS, TO ITS NATIONAL MYSTIQUE. WE SHOULD NOT IGNORE THE POSSIBLE CONSEQUENCES TO OUR BROADER INTERESTS HERE OF SUCH LEGISLATION; AND, IF SOME FORM OF OIL CARGO PREFERENCE LEGISLATION IS INEVITABLE, I WOULD HOPE THAT THE EXECUTIVE BRANCH CAN SEEK MEANS TO MITIGATE ANY UNFORTUNATE EFFECTS ON OUR ALLIES. FRYDENLUND'S QUESTION CONCERNING U.S. PURCHASE OF MODERN EXCESS TONNAGE IN LIEU OF SOME NEW U.S. CONSTRUCTION STRIKES ME AS THE TYPE OF LEGISLATION MODIFICATION WORTH PURSUING.

ANDERS

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Comment:** RECORDING OF CLASSIFICATION/RECLASSIFICATION ACTION IN SAS (STATE ARCHIVING SYSTEM) BY THE DESIGNATED AUTHORITY FOR THIS ACTION, WHO HAS APPROVED RECLASSIFICATION AND OR EXTENSION ACTION ON THIS DOCUMENT.  
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**TAGS:** EGEN, EWWT, PFOR, NO  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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